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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

XILINX, INC.,

Plaintiff,

v.

INTELLECTUAL VENTURES, LLC,
INTELLECTUAL VENTURES
MANAGEMENT, LLC,
DETELLE RELAY KG, LLC,
ROLDAN BLOCK NY, LLC,
LATROSSE TECHNOLOGIES, LLC,
TR TECHNOLOGIES FOUNDATION LLC,
TAICHI HOLDINGS, LLC,
NOREGIN ASSETS N.V., LLC,
INTELLECTUAL VENTURE FUNDING
LLC,

Defendants.

Case No. 3:11-cv-04407-SI

**XILINX INC.'S OPPOSITION TO
DEFENDANTS' MOTION TO
DISMISS FIRST AMENDED
COMPLAINT**

DATE: January 20, 2012

TIME: 9:00 a.m.

JUDGE: Honorable Susan Illston

PLACE: Courtroom 10, 19th Floor

PUBLIC VERSION

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I. INTRODUCTION AND SUMMARY OF ARGUMENT

The facts underlying this case do not change with each retelling. IV¹ accused Xilinx of infringing sixteen “Key Patents” in twelve “Highly Relevant” portfolios during negotiations and made it clear to Xilinx that IV’s plans for the FPGA industry are to sue companies that do not knuckle under to IV’s demands. But the moment Xilinx stood up to IV’s tactics and invoked the jurisdiction of this Court, IV immediately sheathed its drawn sword and attempted to conjure a white dove instead. The undisputed facts and IV’s own documents, however, tell the real story of what happened and how IV was attempting to strong arm Xilinx into licensing hundreds of patents that even IV did not contend Xilinx infringed [REDACTED]

[REDACTED] (See Liu Decl. in Supp. of Opp’n to MTD SAC (hereafter “Liu Decl.”) ¶ 16 (ECF No. 115) (filed under seal).)

Another tactic used by IV to shield itself from this Court’s jurisdiction is to play a shell game with the ownership of and the right to assert these patents. When demanding money from Xilinx, IV’s representatives Messrs. Chernesky and Wilson had no hesitation asserting the patents as IV Management’s patents but as soon as this Court was involved in the dispute, IV Management filed a sworn declaration that [REDACTED]

[REDACTED] (Chernesky Decl. in Supp. of Defs.’ Reply to Mot. to Dismiss, filed in *Xilinx, Inc. v. Invention Investment Fund I, L.P., et al.*, Case No. 3:11-cv-00671 SI, ¶ 5 (ECF No. 81-1) (filed under seal).)² The same unscrupulous conduct also gave rise to Xilinx’s Section 17200 claim, which IV now attempts to deflect by applying the wrong legal standard and misleading this Court. Under

¹ To avoid confusion and for convenience, “IV” collectively refers to all Defendants in this action, namely Intellectual Ventures, LLC, Intellectual Ventures Management, LLC, Detelle Relay KG, LLC, Roldan Block NY, LLC, Latrosse Technologies, LLC, TR Technologies Foundation LLC, Taichi Holdings, LLC, Noregin Assets N.V., LLC, Intellectual Venture Funding LLC. Where necessary to make a distinction, Defendants Intellectual Ventures LLC and/or Intellectual Ventures Management, LLC will be referred to collectively as “IV Management.”

² Except for references to Plaintiff’s Motion to Dismiss the First Amended Complaint (“Motion” or “Mot.”) (ECF No. 64) (filed under seal) or the First Amended Complaint (“FAC”) (ECF No. 29) both filed in this action, all other citations to docket entries, pleadings, motions, declarations, and other court filings, will be to documents filed in the related action, *Xilinx, Inc. v. Invention Investment Fund I, L.P., et al.*, Case No. 3:11-cv-00671 SI.

1 the correct legal standard, Xilinx has adequately plead “unfair” business practices under
 2 California’s unfair competition law. Both motions to dismiss should be denied.³

3 **II. RELEVANT FACTS**

4 Xilinx has previously introduced the parties and described the long history between them,
 5 including the assertion of patents and excessive licensing demands by IV that have resulted in the
 6 filing of the present action, and so will not repeat these facts here.⁴ (*See* Pls.’ Mot. to Enjoin at 2-4
 7 (ECF No. 56); Xilinx’s Opp’n to Defs.’ Mot. to Dismiss (“MTD”) Compl. at 2-6 (ECF No. 71);
 8 Xilinx Opp’n MTD Second Am. Compl. (“SAC”) at 3-7 (ECF No. 114) (all three filed under
 9 seal).) However, the following specific facts are relevant to this Motion and necessary to correct
 10 Defendants’ misleading version of the events leading to the filing of this action.

11 [REDACTED]
 12 [REDACTED]
 13 [REDACTED] (*See* Defs.’ Reply to MTD SAC at 4-6,
 14 (ECF No. 118).) IV never defines its so-called “licensing” program and its overall description to
 15 this Court is self-serving and at odds with the evidence. When it suits its purposes, such as when it
 16 has to establish that it satisfies the “domestic industry” requirement before the International Trade
 17 Commission, IV’s description of its “licensing” activities sound more like its dealings with
 18 Xilinx: “[t]he Funds’ *licensing efforts* include *pre-assertion due diligence*, market and industry
 19 research, reverse engineering of potentially infringing products, preparation of claim charts, face-
 20 to-face licensing negotiations, and *preparations for litigation*.” *Certain Dynamic Random Access*
 21 *Memory and NAND Flash Memory Devices and Products Containing Same*, ITC Inv. No. 337-
 22 TA-___, Compl. ¶ 13, Docket No. 2829 (emphasis added) (“ITC Compl.”).

23 [REDACTED]
 24 [REDACTED] (Reply to MTD

25 ³ In this motion, IV fails to make any specific arguments with regard to U.S. Patent Nos.
 26 5,751,736; 5,887,165; 6,747,350; 6,768,497 and with regard to these patents, it has conceded the
 adequacy of Xilinx’s FAC.

27 ⁴ Xilinx has previously briefed the facts of this case in the related action *Xilinx v.*
 28 *Invention Investment Fund I, L.P., et al.*, Case No. 3:11-cv-00671 SI. Xilinx expressly
 incorporates by reference the facts and declarations previously submitted by Xilinx in that case.

1 SAC at 6 (ECF No. 118) (filed under seal).) IV fails to inform this Court that on the same day, IV
 2 unleashed two additional lawsuits in Delaware: *Intellectual Ventures I LLC v. Hynix*
 3 *Semiconductor Inc.*, D. Del. Case No. 1:10-cv-1066 and *Intellectual Ventures I LLC v. Check*
 4 *Point Software Technologies Ltd.*, D. Del. Case No. 1:10-cv-1067.

5 **III. ARGUMENT**

6 **A. Under the Totality of the Circumstances, There Exists an Actual Controversy** 7 **Between Xilinx and IV as to All of the Patents in Suit**

8 **1. Standard for Declaratory Relief**

9 Subject matter jurisdiction under the Declaratory Relief Act, 28 U.S.C. § 2201(a), requires
 10 a showing of an actual case or controversy between the declaratory relief plaintiff and defendant.
 11 *Teva Pharm. USA, Inc. v. Novartis Pharm. Corp.*, 482 F.3d 1330, 1336 (Fed. Cir. 2007). The
 12 Court may consider any admissible evidence to determine the existence of jurisdiction. *See*
 13 *McCarthy v. United States*, 850 F.2d 558, 560 (9th Cir. 1988).

14 The Supreme Court has articulated the test as follows: “the question in each case is whether
 15 the facts alleged, under all the circumstances, show that there is a substantial controversy, between
 16 parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance
 17 of a declaratory judgment.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)
 18 (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). Likewise, the Federal
 19 Circuit explained that declaratory judgment jurisdiction in patent cases requires an analysis of the
 20 totality of the circumstances and has explained that a “patentee can cause such an injury [sufficient
 21 to create a justiciable case or controversy] in a variety of ways, for example, by creating a
 22 reasonable apprehension of an infringement suit, . . . demanding the right to royalty payments, . . .
 23 creating a barrier to the regulatory approval of a product that is necessary for marketing,” or by
 24 prior litigious conduct. *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1339, 1341 (Fed.
 25 Cir. 2008). Applying *MedImmune*, the Federal Circuit has held that “where a patentee asserts
 26 rights under a patent based on certain identified ongoing or planned activity of another party, and
 27 where that party contends that it has the right to engage in the accused activity without license, an
 28 Article III case or controversy will arise . . .” *SanDisk Corp. v. STMicroelectronics, Inc.*, 480

1 F.3d 1372, 1381 (Fed. Cir. 2007).

2 An actual controversy may exist even in the absence of a direct or explicit threat because,
 3 “a declaratory judgment plaintiff does not need to establish a reasonable apprehension of a lawsuit
 4 in order to establish that there is an actual controversy between the parties.” *Sony Elecs., Inc. v.*
 5 *Guardian Media Techs., Ltd.*, 497 F.3d 1271, 1284 (Fed. Cir. 2007). The Federal Circuit has held
 6 that a justiciable controversy exists where there is a “real and *immediate* injury or threat of future
 7 injury that is *caused by the defendants . . .*” *Prasco*, 537 F. 3d. at 1339. Jurisdiction exists where
 8 the plaintiff can show “‘some affirmative act by the patentee’ that forms the basis for an actual
 9 controversy between the parties.” *Trend Micro Corp. v. Whitecell Software, Inc.*, No. C-10-02248
 10 WHA, 2011 WL 499951, at *3 (N.D. Cal. Feb. 8, 2011) (citing *Prasco*, at 1338-39).

11 In *Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358 (Fed. Cir. 2009), the Federal
 12 Circuit went further, stating:

13 Acceleron repeatedly emphasizes that “at the time HP filed its complaint,
 14 Acceleron could not have asserted its rights in the ’021 patent against HP because
 15 it had not even determined if it had a basis to assert the patent against HP.”
 16 However, it is irrelevant whether Acceleron had conducted an adequate
 17 investigation or whether it subjectively believed HP was infringing. ***“The test [for
 declaratory judgment jurisdiction in patent cases], however stated, is objective.
 Indeed, it is the objective words and actions of the patentee that are controlling.”***
 Thus, ***conduct that can be reasonably inferred as demonstrating intent to enforce
 a patent can create declaratory judgment jurisdiction.***

18 *Id.* at 1363-64 (emphasis added) (citations omitted) (reversing the district court’s dismissal for lack
 19 of subject matter jurisdiction based on its finding that there was “declaratory judgment jurisdiction
 20 arising from a ‘definite and concrete’ dispute between . . . parties having adverse legal interests”).
 21 The Federal Circuit has even held that a patentee’s litigation history can demonstrate an intent to
 22 enforce a patent, creating declaratory judgment jurisdiction. *See Arrowhead Indus. Water, Inc. v.*
 23 *Ecolochem, Inc.*, 846 F.2d 731, 737-38 (Fed. Cir. 1988).

24 **2. Under the totality of circumstances, the Court has jurisdiction over the** 25 **’061 patent**

26 Contrary to IV’s assertion, there is no rule requiring a patentee to name specific accused
 27 products or provide claim charts in order to trigger declaratory judgment jurisdiction. Indeed, the
 28 opposite is true. In *Hewlett-Packard* for example, the Federal Circuit found that declaratory

1 judgment jurisdiction existed where a non-competitor patent holding company sent two letters to
 2 Hewlett-Packard (“HP”) in which the holding company identified certain patents that it owned,
 3 referenced a category of products (blade servers) sold by plaintiff, and imposed deadlines by
 4 which HP needed to respond. *Hewlett-Packard*, 587 F.3d at 1362-63. In that case, the court found
 5 jurisdiction when no claim charts were exchanged, and no specific products were identified. Here,
 6 IV’s actions were far more definitive in creating a case or controversy. Indeed, as alleged in the
 7 complaint (FAC ¶ 132), IV affirmatively accused Xilinx of infringing the ’061 patent, which IV
 8 has not disputed.

9 Unable to dispute those allegations, and in the face of such contrary controlling law, IV
 10 attempts to argue that because it never actually accused any “specific” Xilinx product of infringing
 11 the ’061 patent it has taken no affirmative steps to enforce its patents.⁵ (*See, e.g.*, Mot. at 3, 12-
 12 13.) IV attempts to minimize its actions, claiming that it merely “notified” Xilinx that it had
 13 acquired patents and had “at Xilinx’s request, provided Xilinx with a list of patents that it believed
 14 might be of investment interest to Xilinx.” (Mot. at 12.)

15 IV’s arguments are squarely contradicted by a number of undisputed facts in the record. ■

16 [REDACTED]
 17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED]
 23 [REDACTED]
 24 [REDACTED]
 25 [REDACTED]
 26 [REDACTED]

27 _____
 28 ⁵ IV offers only attorney argument here, and provides no evidence to support its argument
 that IV did not accuse any specific Xilinx product of infringing the ’061 patent. (Mot. at 12-13.)

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED] *See Hewlett-Packard*, 587 F.3d at
9 1363 (finding DJ jurisdiction over patents identified as “relevant” to plaintiff’s products by a “non-
10 competitor patent holding company”). [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

23 These facts are sufficient to establish a real, immediate, and substantial controversy
24 regarding all the patents in suit. *See SanDisk*, 480 F.3d at 1381. *See also Microsoft Corp. v.*
25 *Phoenix Solutions, Inc.*, 741 F. Supp. 2d 1156, 1162 (C.D. Cal. 2010) (finding declaratory
26 judgment jurisdiction where defendant sent several threatening letters to Plaintiff’s customer
27 identifying fifteen patents relevant to the accused system, but providing only nine claim charts;
28 and holding that “evidence of conduct that shows an intent to enforce all fifteen patents . . . creates

1 declaratory judgment jurisdiction over all fifteen patents”); *Hewlett-Packard*, 587 F.3d at 1363
 2 (finding DJ jurisdiction over patents identified by patent holding company as “relevant” to
 3 plaintiff’s products).

4 Xilinx was not merely “notified of the existence” of the ’061 patent, as Defendants claim.
 5 (Mot. at 12.) Rather IV representatives repeatedly asserted, both expressly and impliedly, that
 6 Xilinx infringed all sixteen of the Key Patents, including the ’061 patent, and demanded that
 7 Xilinx take a license to all of those patents. IV also clearly signaled that Xilinx was the next target
 8 in IV’s “plans regarding the FPGA industry” by notifying Xilinx that IV had sued three of Xilinx’s
 9 major competitors in Delaware. While the Delaware lawsuit involved only four of the sixteen Key
 10 Patents, IV’s actions were “evidence of conduct that shows an intent to enforce all [sixteen]
 11 patents.” *See Microsoft*, 741 F. Supp. 2d at 1162. Because IV has asserted “rights under a patent
 12 based on certain identified ongoing or planned activity of another party,” the standard for
 13 declaratory judgment jurisdiction has been met and IV’s Motion should be denied. *See SanDisk*,
 14 480 F.3d at 1381.

15 **3. There is an actual controversy between Xilinx and IV with respect to**
 16 **the ’251 and ’331 patents**

17 IV also argues that no jurisdiction exists over Xilinx’s declaratory judgment claims
 18 regarding the ’251 and ’331 patents because the claim charts IV gave Xilinx for the ’251 and ’331
 19 patents accuse only circuits containing an ARM dual-core Cortex A9 MPCore Processor, and
 20 because the products for which Xilinx seeks a declaration of non-infringement—the 28 nm
 21 programmable logic products and 7-Series FPGA products—do not contain an ARM core
 22 processor.⁶ IV is simply wrong. At least one of Xilinx’s 28 nm programmable logic products,
 23 including a variation of the 7-Series FPGA products does indeed contain an ARM core processor
 24 as alleged in Paragraphs 45 and 90 of the First Amended Complaint. As the complete grounds

25 ⁶ In a footnote, IV criticizes Xilinx for failing to provide IV with “an identification of any
 26 past or current Xilinx product that allegedly incorporates ARM Cortex A9 technology.” (Mot. at
 27 10 n.4.) However, IV, the patent holder and accuser could have, with a simple search of Xilinx’s
 28 homepage for the word “ARM” or “ARM” in conjunction with “7 Series” discovered numerous
 links to 28 nm programmable logic and variations of the 7-Series FPGA products that do
 incorporate the ARM Cortex A9 technology. (Henry L. Welch Decl. Ex. A (“ARM 7 Series”
 Search Results) (ECF No. 112-1).)

1 upon which IV's motion is based with respect to the '251 and '331 patents is factually incorrect,
 2 IV's motion necessarily fails and should be denied.

3 IV also falsely argues that it "did not accuse any current (or even future) Xilinx product of
 4 infringing the '251 and '331 patents, because based on [IV's] understanding at the time, none
 5 existed." (Mot. at 10.) This argument is directly contradicted by IV's own claim charts for the
 6 '251 and '331 patents that even cite a Xilinx technical document that describes how the ARM core
 7 processor is used with the Xilinx 28 nm programmable logic technology, and that contains an
 8 internet link to the main Webpage for Xilinx's 28 nm programmable logic and 7-Series FPGA
 9 products. (*See* Liu Decl. in Supp. of Opp'n to Mot. to Dismiss Ex. 11 ('251 and '331 Patent Claim
 10 Charts) (ECF No 72-11) (citing Xilinx technical document WP369 v. 1.0) (filed under seal); (Liu
 11 Decl. Ex. 17 (WP369, v. 1.0) (ECF No. 111-2).) [REDACTED]

12 [REDACTED]
 13 [REDACTED]
 14 In order to accept IV's position one must believe the assertion that IV spent the time and
 15 resources to create an "Evidence of Use" chart comparing the '251 and '331 patents against the
 16 ARM core processor (using Xilinx's technical manuals) and presented this material to Xilinx along
 17 with similar material for other patents and products even though IV believed that Xilinx did not
 18 offer and was not developing a product incorporating an ARM Cortex A9 processor.⁷
 19 Nevertheless, even if it were true that IV mistakenly believed that Xilinx did not have any such
 20 products, under Federal Circuit law, it is "irrelevant whether [IV] had conducted an adequate
 21 investigation or whether it subjectively believed [Xilinx] was infringing. . . . Indeed, it is the
 22 objective words and actions of the patentee that are controlling." *See Hewlett-Packard*, 587 F.3 at
 23 1363 (citation omitted).

24
 25
 26
 27 ⁷ This is even harder to believe in light of the fact that at in-person meetings IV's
 28 representatives stated that they had seen a Xilinx press release regarding a product incorporating
 an ARM core processor. (Liu Decl. ¶ 21 & Ex. 18 (April 27, 2010 News Release) (ECF No. 115
 & 111-3) (Decl. filed under seal).)

B. Because the Court Has Declaratory Judgment Jurisdiction Over Xilinx's Declaratory Judgment Claims for Non-Infringement of the '251, '331, and '061 Patents, it Also Has Declaratory Judgment Jurisdiction Over Xilinx's Claims for Invalidity of the '251, '331, and '061 Patents

IV does not challenge the sufficiency of the allegations in the First Amended Complaint regarding invalidity. Instead, the single argument advanced by IV in support of its motion to dismiss Xilinx's declaratory judgment claims for invalidity is that because the court lacks declaratory judgment jurisdiction over Xilinx's infringement claims it also lacks declaratory judgment jurisdiction over Xilinx's invalidity claims. (Mot. at 13.) As established above, the Court has declaratory judgment jurisdiction over Xilinx's infringement claims. Therefore, IV's motion as to Xilinx's invalidity claims should likewise be denied.

C. Xilinx's Declaratory Judgment Claims Are Sufficiently Plead to Survive Defendants' Motion to Dismiss

As a final catch-all argument, IV once again argues that Xilinx's claims for declaratory relief of non-infringement should be dismissed because Xilinx "fail[s] to specify with particularity the products or conduct that allegedly do not infringe each of the '251, '736, '165, '331, '350, '497, and '061 patents, [and therefore] Xilinx fails to state a plausible claim that is definite and concrete for declaratory relief of non-infringement" (Mot. at 14.) This argument is specious for the reasons set forth above and because Xilinx's First Amended Complaint clearly identifies specific products or product families for each of the patents on which Xilinx seeks a declaration of non-infringement.

Specifically, Xilinx's First Amended Complaint seeks "[a]n adjudication that the '251, '736, '165, '331, '350, '497, and '061 patents (collectively, the "Asserted Patents") are not infringed by Xilinx's importation, use, offer for sale, and/or sale in the United States of the Accused Products, including *the Spartan-6 FPGAs, the Virtex-5 ML50x evaluation platforms, the Virtex-5 FPGAs, the Xilinx FPGA Editor, and the 28 nm programmable logic products containing an ARM dual-core Cortex™A9 MPCore Processor such as the 7 Series FPGAs.*" (FAC at 26-27.) For the '251, '331, and '061 patents at issue in this Motion,⁸ Xilinx clearly

⁸ IV's notice of motion and request for relief is limited to those claims relating to the '251, '331, and '061 patents. (Mot. at 8.) Xilinx's Opposition therefore, addresses only those claims for which IV seeks dismissal.

identifies a product or product family for which Xilinx seeks a declaration of non-infringement:

- Upon information and belief, Xilinx has not directly or indirectly infringed any valid and enforceable claim of the '251 patent, ... because none of its integrated circuits, including those Xilinx integrated circuits allegedly containing an **ARM dual-core Cortex™A9 MPCore Processor, including at least Xilinx's 28 nm programmable logic products such as the 7 Series FPGAs**, practice Claim 1 or any valid claim of the '251 patent. (FAC ¶ 45 (emphasis added).)
- Upon information and belief, Xilinx has not directly or indirectly infringed any valid and enforceable claim of the '331 patent, ... because none of its integrated circuits allegedly containing an **ARM dual-core Cortex™A9 MPCore Processor, including at least Xilinx's 28 nm programmable logic products such as the 7 Series FPGAs** practice Claim 21 or any valid claim of the '331 patent. (FAC ¶ 90 (emphasis added).)
- Upon information and belief, Xilinx has not directly or indirectly infringed any valid and enforceable claim of the '061 patent, ... because none of its integrated circuits, including Xilinx's **Spartan-6 FPGAs**, practice any valid claim of the '061 patent. (FAC ¶ 135 (emphasis added).)

By contrast, in the claims found insufficient by the Court in *Bender v. Motorola* (which did not involve claims for declaratory judgment), the Plaintiff failed to identify *any* specific products or product families:

Motorola has performed acts and performs acts within this judicial district and elsewhere that infringe, and induce others to infringe, one or more of the claims of the '188 Patent . . . by making, using, offering for sale, and/or selling products that consist of, comprise, and/or contain at least one circuit, silicon or otherwise, which contains and/or utilizes at least one buffered transconductance amplifier . . . and/or by practicing related methods embodying inventions claimed therein, which *such products include, without limitation, cell phones, computers, network drivers, high definition television sets, ultrasound machines, MRI machines, lab equipment, arbitrary waveform generators, audio amplifiers, video amplifiers, hard disc drives, ADC/DAC converters, DVD-RW players, DSL modems, CCD cameras, satellite communication technology, and other products where high performance, high speed analog circuits are used, and/or components thereof.*

Bender v. Motorola, N.D. Cal. Case No. 4:09-cv-01245-SBA, First Amended Complaint at 2-3 (emphasis added). Thus, the court held "Plaintiff's generic descriptions of a litany of electronic products are far too conclusory to pass muster under Rule 8, *Twombly* or *Iqbal*." *Bender*, 2010 WL 72739 at *3. By contrast, the allegations of the complaint at issue here point to specific products and product families, many of which came from IV itself as part of their demand for license fees for Xilinx's alleged infringement of the very same patents.

D. Xilinx's Section 17200 Claims Are Sufficiently Pled to Survive Defendants' Motion to Dismiss

Under Federal Rules of Civil Procedure 12(b)(6), dismissal is proper only in “extraordinary” cases. *See United States v. City of Redwood City*, 640 F.2d 963, 966 (9th Cir. 1981). Plaintiffs need only plead a “cognizable legal theory” or sufficient facts “to support a cognizable legal theory.” *Navarro v. Block*, 250 F.3d 729, 732 (9th Cir. 2001). The allegations in the complaint must be accepted as true, as well as all reasonable inferences that can be drawn from them, and construed in the light most favorable to the nonmoving party. *Erickson v. Pardus*, 551 U.S. 89, 94 (2007). A complaint should only be dismissed if “it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief.” *Redwood City*, 640 F.2d at 966 (citation omitted).

Defendants assert that Xilinx fails to allege a plausible claim under the “fraudulent” and “unlawful” prongs of the UCL and therefore Xilinx’s UCL claims should be dismissed pursuant to Rule 12(b)(6). However, the UCL defines “unfair competition” as “any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising.” Cal. Bus. & Prof. Code § 17200. The statute is phrased in the disjunctive so that Xilinx need only allege that Defendant’s acts were unlawful *or* unfair *or* fraudulent in order to successfully state a claim. *Cel-Tech Commc’ns, Inc. v. L.A. Cellular Tel. Co.*, 20 Cal. 4th 163, 180 (Ct. App. 1999). Xilinx alleges only that Defendants’ conduct is actionable under the “unfair” prong. (FAC ¶ 160). Defendants’ arguments that Xilinx fails to state a claim under the “fraudulent” or “unlawful” prong are therefore irrelevant.

Relying on *Cel-Tech*, IV next argues that Xilinx fails to allege a plausible claim under the “unfair” prong of the UCL because “Xilinx’s First Amended Complaint does not include any allegations that tether its claim to any constitutional, statutory, or regulatory provision prohibiting” the conduct Xilinx accuses. (Mot. at 19.)

IV’s argument suffers from an erroneous reading of the *Cel-Tech* opinion. As the California Supreme Court made clear in *Cel-Tech*, the test for “unfair” business practices it was announcing was expressly limited to cases in which the parties are *competitors*. *See Cel-Tech*, 20

Cal. 4th at 187 (“This case involves an action by a competitor alleging anticompetitive practices. ***Our discussion and this test are limited to that context. Nothing we say relates to actions by consumers . . .***” (emphasis added). IV is a patent aggregator and licensor and does not claim to make any product or offer any service (ITC Compl. ¶¶ 12-15.) By contrast, Xilinx designs and sells actual products and provides related services. Because there can be no dispute that Xilinx and IV are not “direct competitors,” *Cel-Tech* is not controlling here and does not require Xilinx to “include any allegations concerning market power or any other allegations that could plausibly support ‘an incipient violation of an antitrust law.’” (Mot. at 19.) IV’s motion should be denied on these grounds alone.

Following *Cel-Tech*, courts have attempted to formulate a definition of “unfair” under the UCL for consumer or other commercial cases not involving direct competitors. In *Smith v. State Farm Mutual Automobile Insurance Company*, 93 Cal. App. 4th 700, 720-21, n.23 (2001), the court declined to apply *Cel-Tech* and instead applied the test used in *People v. Casa Blanca Convalescent Homes, Inc.*, 159 Cal. App. 3d 509, 530 (1984), which, applying guidelines adopted by the Federal Trade Commission, concluded that “an ‘unfair’ business practice occurs when it offends an established public policy or when the practice is immoral, unethical, oppressive, unscrupulous or substantially injurious to consumers.” Likewise, in *McKell v. Washington Mutual Inc.*, the court adopted an FTC-like definition of an “unfair” business practice: “[a] business practice is unfair within the meaning of the UCL if it violates established public policy ***or if it is immoral, unethical, oppressive or unscrupulous and causes injury to consumers*** which outweighs its benefits.” 142 Cal. App. 4th 1457, 1473 (2006) (emphasis added) (citations omitted). The *McKell* court also applied a balancing test which “involves an examination of [that allegedly unfair practice’s] impact on its alleged victim, balanced against the reasons, justifications and motives of the alleged wrongdoer,” and must “weigh the utility of the defendant’s conduct against the gravity of the harm to the alleged victim. . .” *Id.* (citation omitted). *See also Progressive W. Ins. Co. v. Superior Ct.*, 135 Cal. App. 4th 263, 286 (2005) (applying *Smith* balancing test); *Bardin v. Daimlerchrysler Corp.*, 136 Cal. App. 4th 1255, 1270 (2006) (applying the *Smith* balancing test).

1 The Federal Courts also recognize that the *Cel-Tech* “tethering” test is limited to
 2 competitor cases and is not controlling for consumer or other commercial cases. In *Lozano v.*
 3 *AT & T Wireless Servs., Inc.*, 504 F.3d 718, 736 (9th Cir. 2007), the Ninth Circuit held that, “[i]n
 4 the absence of further clarification by the California Supreme Court,” district courts may apply
 5 either or both the *Cel-Tech* or the older balancing test to determine if a defendant’s conduct is
 6 “unfair.” *Id.* And, this very Court has explained:

7 The California Supreme Court has never definitively addressed the test to be
 8 applied when evaluating a business practice for unfairness in a consumer action.
 9 The Courts of Appeal have applied two different tests in UCL consumer cases
 10 under the unfair acts prong. As one Court put it: There are two lines of appellate
 11 opinions addressing the definition of “unfair” within the meaning of the UCL in
 12 consumer actions. ***One line defines “unfair” as prohibiting conduct that is***
 13 ***immoral, unethical, oppressive, unscrupulous or substantially injurious to***
 14 ***consumers and requires the court to weigh the utility of the defendant’s conduct***
 15 ***against the gravity of the harm to the alleged victim.*** The other line of cases holds
 16 that the public policy which is a predicate to a consumer unfair competition action
 17 under the “unfair” prong of the UCL must be tethered to specific constitutional,
 18 statutory, or regulatory provisions.

14 *Distor v. US Bank NA*, No. C 09-02086 SI, 2009 U.S. Dist. LEXIS 98361, at * 22-23 (N.D. Cal.
 15 Oct. 22, 2009) (emphasis added) (citing *Bardin*, 136 Cal. App. 4th at 1260-61 (granting
 16 defendants’ motion to dismiss but granting plaintiff leave to amend if it “can plead specific facts
 17 that show how specific acts of defendants meet one of California’s tests for unfairness.”). *Distor*,
 18 at 24. Thus, contrary to IV’s argument, Xilinx is not required “to allege facts sufficient to
 19 establish a *prima facie* case of an incipient antitrust violation.” (Mot. at 18.)

20 Here, all that Xilinx is required to plead is “conduct that is immoral, unethical, oppressive,
 21 unscrupulous or substantially injurious to consumers.” *See Distor*, at 22. [REDACTED]

22 [REDACTED]
 23 [REDACTED]
 24 [REDACTED]
 25 [REDACTED]
 26 Representatives from IV also represented that they had a right to enforce the Key Patents and
 27 stated that “IV has taken action to enforce our invention rights” when referring to a lawsuit
 28 involving four of the Key Patents. (FAC ¶ 149.) IV claim charts included a legend and copyright

1 notice that it was IV that had prepared them. (FAC ¶¶ 38, 148; *see, e.g.*, Liu Decl. Ex. 11 ('301
2 Claim Chart) (filed under seal).) At no time during the negotiations did IV ever make a contrary
3 statement regarding ownership or rights to assert. (FAC ¶ 39, 152.) IV made these representations
4 knowing that they were false in an effort to get Xilinx to make further investments into their
5 Funds. (FAC ¶¶ 156-158; Liu Decl. ¶ 16 (filed under seal).)

6 Taking IV Management at its word, Xilinx filed its declaratory judgment action naming
7 Intellectual Ventures, LLC and Intellectual Ventures Management, LLC and other entities
8 associated with the Funds, erroneously relying on IV Management's repeated demands for
9 licensing royalties and IV Management's repeated representations that it, not the nominal owners
10 of the patents, had the right to enforce and to license these patents. (Complaint (ECF No. 1); FAC
11 ¶¶ 151, 158.) Only after IV Management realized that it might be subject to the jurisdiction of this
12 Court, did IV Management reverse itself and take the contrary position that the Key Patents were
13 not "IV's patents" and that it did not have the rights to assert the patents against Xilinx. (FAC
14 ¶¶ 152-153.) It is, at an absolute minimum, "unscrupulous" for IV Management to pretend to own
15 or have the right to assert these patents in order to demand tens of millions of dollars in licensing
16 revenues and then to swear under oath that it did not have those same rights in order to avoid the
17 jurisdiction of this Court. IV Management, in effect, attempted to sell Xilinx the Brooklyn Bridge
18 and, when it got caught, defended itself by claiming it never owned the bridge in the first place.
19 Both the original deception and this defense are, at a minimum, unscrupulous. As a direct result of
20 IV Management's unfair business acts, Xilinx expended and lost money through unnecessary cost
21 and expense in addressing IV Management's licensing demands well before it had to resort to this
22 litigation, satisfying the standing requirement of Section 17200. (FAC ¶¶ 154-155.) These
23 expenses include addressing Defendants' claims that the accused products infringe the asserted
24 patents, and responding to their demands that Xilinx take a license to the Key Patents and the
25 "highly relevant" portfolios. Under the proper test for the adequacy of the pleadings, these
26 allegations are more than sufficient and IV's motion should be denied.

27 IV relies on *Buckland v. Threshold Enterprises, Ltd.*, 155 Cal. App. 4th 798 (2007) for its
28 argument that Xilinx lacks standing to bring a claim under the UCL because Xilinx's seeks

1 “litigation costs.” IV once again misstates the facts and the holding of a case in order to support its
 2 argument. Contrary to IV’s assertions, *Buckland* has not “explicitly rejected the theory Xilinx
 3 advances here” (Mot. at 23-24.) First, as described above, Xilinx’s economic injury are not
 4 merely “litigation costs.” Second, the *Buckland* Court found the “litigation costs” incurred by the
 5 plaintiff were costs incurred for the sole purpose of establishing standing to sue. *Buckland*, at
 6 816. Nevertheless, the *Buckland* Court acknowledged that resources diverted toward *investigating*
 7 *a claim prior to litigation* would constitute an “injury in fact.” *Id.* That is precisely what Xilinx is
 8 alleging here.

9 **E. In the Alternative, to The Extent the Court Grants Defendants’ Motion,**
 10 **Xilinx Requests Leave to Amend the Complaint**

11 In the event the Court is inclined to grant Defendant’s Motion to Dismiss, Xilinx
 12 respectfully requests leave to amend its First Amended Complaint to cure any deficiency perceived
 13 by the Court. Under the Federal Rules, such leave should be granted “freely.” Fed. R. Civ. P.
 14 15(a)(2). Moreover, if the Court finds that subject matter jurisdiction over Xilinx’s claims is not
 15 supported by the record, Xilinx respectfully requests leave of the Court to take focused discovery
 16 from Defendants to further demonstrate the existence of subject matter jurisdiction. *Laub v. U.S.*
 17 *Dep’t of Interior*, 342 F.3d 1080, 1093 (9th Cir. 2003) (recognizing that “[a] district court is vested
 18 with broad discretion to permit or deny [jurisdictional] discovery,” and holding that “discovery
 19 should be granted when, as here, the jurisdictional facts are contested or more facts are needed”).

20 **IV. CONCLUSION**

21 For the reasons stated above, the Court should deny Defendants’ Motion to Dismiss
 22 Xilinx’s First Amended Complaint. In the alternative, if the Court grants Defendants’ Motion, it
 23 should also grant Xilinx leave to amend its Complaint and/or grant Xilinx leave to take
 24 jurisdictional discovery.

25 Dated: November 14, 2011

Respectfully submitted,
 JONES DAY

By: /s/ Behrooz Shariati
 Behrooz Shariati

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28 SVI-99534